

City of Detroit

CITY COUNCIL

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TO: Victor Mercado, Chief of Utilities
Public Lighting Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 25, 2005

RE: 2005-2006 Budget Analysis

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Attached is our budget analysis regarding your department's budget for the upcoming 2005-2006 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Budget Department Director
Tanya Stoudemire, Budget Department Team Leader
Kandia Milton, Mayor's Office

Public Lighting Department (38)

FY 2005-2006 Budget Analysis by the Fiscal Analysis Division

Summary

The Public Lighting Department (PLD) is a General Fund agency. The Public Lighting Department generates and purchases electrical power, maintains street and alley lights, traffic signals, and the electrical distribution system. The department operates the Herman Kiefer heating plant that supplies heating steam to the Kiefer complex and three Detroit Public Schools. The department assists in the operation and maintenance of the Police and Fire communication system.

The Administration is proposing in the recommended 2005-2006 budget to merge PLD into the new Municipal Services Department. The Administration believes that merging departments will create economies of scale and increase efficiencies.

The 2005-2006 recommended Net Tax Cost is \$15.64 million, a \$9.4 million, or 140% increase over the current year.

The capital program, which is financed with G.O. bonds, is recommended at \$2.8 million, a \$7.2 million decrease over the current year.

2004-2005 Surplus/Deficit

The Budget Department has projected that the PLD will end the fiscal year with a small surplus of \$79,000. PLD will have an appropriation surplus of \$2,079,149 and a revenue deficit of \$2,000,000.

Overtime

The department's overtime budget for the current fiscal year is \$3.38 million.

As of March 31, 2005, the department has spent \$2.49 million on overtime.

The recommended 2005-06 overtime budget is \$2.39 million. The history of overtime spent for the last five fiscal years is as follows:

2003-04	\$3.76 million
2002-03	\$5.4 million
2001-02	\$5.1 million
2000-01	\$5.75 million
1999-00	\$5.9 million
1998-99	\$4.9 million
1997-98	\$6.2 million

Personnel and Turnover Savings

Following is information by appropriation comparing budgeted FY 2004-2005 positions, March 31, 2005 filled positions and FY 2005-06 recommended positions.

	Budgeted	Filled	Mayor's	Over/(Under)	Mayor's
	Positions	Positions	Budget	Actual to	Recommended
<u>Appropriation/Program</u>	<u>FY 2004-05</u>	<u>03/31/2005</u>	<u>FY 2005-06</u>	<u>04/05 Budget</u>	<u>Turnover</u>
Public Lighting (38):					
380010 General Administration	6	4	3	(2)	\$ -
380020 Production Control	3	1	1	(2)	\$ -
380030 Inspection & Control	6	4	4	(2)	\$ -
380040 Claims Office	3	2	3	(1)	\$ -
380050 Data Management	1	0	0	(1)	\$ -
380060 Stores & Warehouse	13	9	6	(4)	\$ -
380070 Plant Protection	11	12	0	1	\$ -
00123 General Administration	43	32	17	(11)	\$ -
380090 Engineering Administration	8	5	6	(3)	\$ -
380100 Street Lighting Design	5	4	4	(1)	\$ -
380110 Traffic Signal Design	6	5	4	(1)	\$ -
380120 Trans. & Dist. Design	4	3	5	(1)	\$ -
380130 Substation Design	5	5	4	0	\$ -
380140 Under. Fac. Maps & Records	4	3	3	(1)	\$ -
00127 Engineering	32	25	26	(7)	\$ -
380150 Supervision	5	3	3	(2)	\$ -
380160 Construction	18	18	18	0	\$ -
380170 Maintenance	17	13	14	(4)	\$ -
380180 Cables	26	19	19	(7)	\$ -
380190 Conduit	14	11	11	(3)	\$ -
380200 Street Lighting Maintenance	16	12	12	(4)	\$ -
380205 Building Maintenance	0	7	7	7	\$ -
380260 Building Maintenance	2	0	0	(2)	\$ -
00128 Construction & Maintenance	98	83	84	(15)	\$ -
380210 Operating Administration	4	2	3	(2)	\$ -
380220 System Testing	2	1	2	(1)	\$ -
380230 Electrical System Control	13	10	8	(3)	\$ -
380250 Electrical Maintenance	11	11	10	0	\$ -
380260 Building Maintenance	2	3	0	1	\$ -
380270 Traffic Signal Maintenance	11	11	11	0	\$ -
00129 Operating Division	43	38	34	(5)	\$ -
380280 Heat & Power Administration	9	6	7	(3)	\$ -
380290 Testing & Instrument Maint.	12	10	9	(2)	\$ -
380300 Mechanical Operations	38	35	34	(3)	\$ -
380310 Mechanical Maintenance	14	12	11	(2)	\$ -
380320 Power Plant Yard Operation	4	4	5	0	\$ -
380340 Kiefer Heating Plant	5	4	4	(1)	\$ -
00131 Heat and Power Production	82	71	70	(11)	\$ -
380150 Supervision	0	0	0	0	\$ -
380160 Construction	0	0	0	0	\$ -
11821 Construction & Maintenance	0	0	0	0	\$ -
38XXXX Leave of Absence	0	(3)	0	(3)	\$ -
38XXXX Worker's Comp.	0	(1)	0	(1)	\$ -
38XXXX Unmatched Positions	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>\$ -</u>

TOTAL	<u>298</u>	<u>246</u>	<u>231</u>	<u>(52)</u>	<u>\$ -</u>
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Proposed Layoffs and Vacant Position Reductions

The 2005-2006 Budget does not clearly appear to recommend layoffs in the Public Lighting Department appropriations but there is a net recommended force reduction of 67.

Since there are currently 52 vacant positions that assumes a layoff plan of 15, although some of these positions like the 11 security positions are shifting to other departments.

Below is a list of all the position reductions and additions totaling a net reduction of 67

<u>Cost Center</u>	<u>Appropriation/Cost Center</u>	<u>Title</u>	<u>Deletions</u>
380010 General Administration		Director - Public Lighting	(1)
380010 General Administration		Admin Asst GD III	(1)
380010 General Administration		Executive Secretary III	(1)
380020 Production Control		Sr. Governmental Analyst	(1)
380020 Production Control		Sr. Clerk	(1)
380030 Inspection and Control		Overhead Utility Plan Permit Examiner	(1)
380020 Inspection and Control		Sr. Clerk	(1)
380050 Data Management		Manager II - PLD	(1)
380060 Stores & Warehouse		Sr. Storekeeper	(1)
380060 Stores & Warehouse		Sr. Building Attendant	(1)
380060 Stores & Warehouse		Vehicle Operator I	(1)
380060 Stores & Warehouse		Clerk	(1)
380060 Stores & Warehouse		Office Assistant II	(1)
380060 Stores & Warehouse		Building Attendant A	(2)
380070 Plant Protection		Service Guard - Public Utility	(10)
380070 Plant Protection		Sr. Service Guard - General	(1)
380090 Engineering Administration		Sr. Assoc. Elect. Engineer - Design	(1)
380090 Engineering Administration		Sr. Governmental Analyst	(1)
380090 Engineering Administration		Sr. Steno	(1)
380090 Engineering Administration		Lines System Investigator	1
380090 Engineering Administration		Sr. Asst. Elect. Engineer - Design	1
380100 Street Lighting Design		Sr. Assoc. Elect. Engineer - Design	(1)
380100 Street Lighting Design		Sr. Asst. Elect. Engineer - Design	(1)
380110 Traffic Signal Design		Lines System Investigator	(1)
380110 Traffic Signal Design		Drafting Technician II	(1)
380120 Transmission & Distrib Design		Sr. Assoc. Elect. Engineer - Design	2
380120 Transmission & Distrib Design		Sr. Asst. Elect. Engineer - Design	(1)
380130 Substation Design		Sr. Asst. Elect. Engineer - Design	(1)
380130 Substation Design		Drafting Technician III	(1)
380130 Substation Design		Lines System Investigator	1
380140 Underground Fac. Maps & Records		Lines System Investigator	(1)
380150 Supervision		Manager II - PLD	(1)
380150 Supervision		Principal Clerk	(1)
380150 Supervision		Senior Clerk	(2)
380150 Supervision		Superintendent of Street Light Maint	1
380150 Supervision		Head Clerk	1
380170 Maintenance		Line Sub-Foreman	(1)
380170 Maintenance		Senior Line Worker	(2)
380180 Cables		Cable Splicer	(4)

<u>Cost Center</u>	<u>Appropriation/Cost Center</u>	<u>Title</u>	<u>Deletions</u>
380180 Cables		Line Helper - Driver	(2)
380180 Cables		Line Helper	(1)
380190 Conduit		Underground Conduit Const. Foreman	(1)
380190 Conduit		Concrete Finisher	(1)
380190 Conduit		Line Helper	(1)
380200 Street Lighting Maintenance		Street Lighting Maintenance Worker	(4)
380205 Building Maintenance		Sprvr of Building Maintenance	1
380205 Building Maintenance		Building Maintenance Sub-Foreman	1
380205 Building Maintenance		Bldg. Trades Worker - General	1
380205 Building Maintenance		Boiler Operator - High Pressure	1
380205 Building Maintenance		Senior Building Attendant	1
380205 Building Maintenance		Building Attendant A	2
380260 Building Maintenance		Sprvr of Building Maintenance	(1)
380260 Building Maintenance		Building Maintenance Sub-Foreman	(1)
380210 Operating Administration		Building Maintenance Oper Supervisor	(1)
380210 Operating Administration		Senior Stenographer	(1)
380210 Operating Administration		Office Assistant III	1
380230 Electrical System Control		Asst. Electrical System Sprvr	(3)
380230 Electrical System Control		Electrical System Sprvr	3
380230 Electrical System Control		Service Information Clerk	(5)
380250 Electrical System Maintenance		Electrical Substation Worker	(1)
380260 Building Maintenance		Boiler Operator - High Pressure	(1)
380260 Building Maintenance		Bldg. Trades Worker - General	(1)
380280 Heat and Power Administration		Office Assistant III	(1)
380280 Heat and Power Administration		Storekeeper	(1)
380290 Testing & Instrument Maintenance		Elect Sys Ctrl Instr Tech	(1)
380290 Testing & Instrument Maintenance		Electrical Helper	(2)
380300 Mechanical Operations		Head Power Plant Operator	(1)
380300 Mechanical Operations		Sr. Power Plant Operator	(1)
380300 Mechanical Operations		Power Plant Operator	(1)
380300 Mechanical Operations		Boiler Operator - High Pressure	(1)
380310 Mechanical Maintenance		Maintenance Millwright	(1)
380310 Mechanical Maintenance		Steamfitter	(1)
380310 Mechanical Maintenance		General Machinist	(1)
380320 Power Plant Yard Operations		Power Plant Yard Foreman	1
380340 Kiefer Heating Plant		Boiler Operator - High Pressure	(1)
		TOTAL	(67)

Significant Changes in Funding

General Fund

The price of running the Public Lighting Department has increased by 140% due to both an increase in expenditures as well as a reduction in revenues.

The primary reason for the expenditure increase is the 47% increase in the natural gas account. Natural gas is what is primarily used for power production. The price has jumped significantly because the city's favorable fixed-price contract for the last five years expires next month and the market price today is 2x greater.

The reason for the reduction in revenues is that the department wanted to reflect actual collections that have come in at a lower rate than the current budget. However, these revenues do not reflect the natural gas price increase. The department will have to explain why this has happened.

	2004-2005	2005-2006	Variance	% Difference
Salary and Wages	\$16,117,401	\$ 11,997,421	\$ (4,119,980)	-25.56%
Employee Benefits	\$10,614,704	\$ 6,978,354	\$ (3,636,350)	-34.26%
Prof Contractual Svcs.	\$ 620,940	\$ 620,940	\$ -	0.00%
Operating Supplies	\$29,648,998	\$ 42,435,330	\$12,786,332	43.13%
Operating Services	\$ 4,914,581	\$ 4,954,165	\$ 39,584	0.81%
Capital Equipment	\$ -	\$ 76,074	\$ 76,074	
Other Expenses	<u>\$ (453,189)</u>	<u>\$ (483,475)</u>	<u>\$ (30,286)</u>	6.68%
GF Total Approp.	\$61,463,435	\$ 66,578,809	\$ 5,115,374	8.32%
 GF Revenues	 \$54,958,300	 \$ 50,938,116	 \$ (4,020,184)	 -7.31%
 Net Tax Cost	 <u>\$ 6,505,135</u>	 <u>\$ 15,640,693</u>	 <u>\$ 9,135,558</u>	 <u>140.44%</u>

Capital Fund

The recommended G.O. bond sale for PLD decreases by \$7,200,000 to \$2,800,000 and is proposed to be used for system improvements.

Public Lighting (38)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2004-05 Budget</u>	<u>FY 2005-06 Recommended</u>	<u>Increase (Decrease)</u>
Administration Division	\$ 55,940	\$ 55,940	\$ -
Engineering Division	-	-	-
Construction & Maintenance	-	-	-
Operating Division	525,000	525,000	-
Heat & Power Production	40,000	40,000	-
Capital Improvements	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 620,940</u>	<u>\$ 620,940</u>	<u>\$ -</u>

Issues and Questions

1. Please explain the rationale for merging a public utility with public works.
2. Why aren't the increases in costs being reflected in the revenues? Is there a chance that the rates can be increased?

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